

The McGraw-Hill Companies



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President

McGraw-Hill Education

New York, NY
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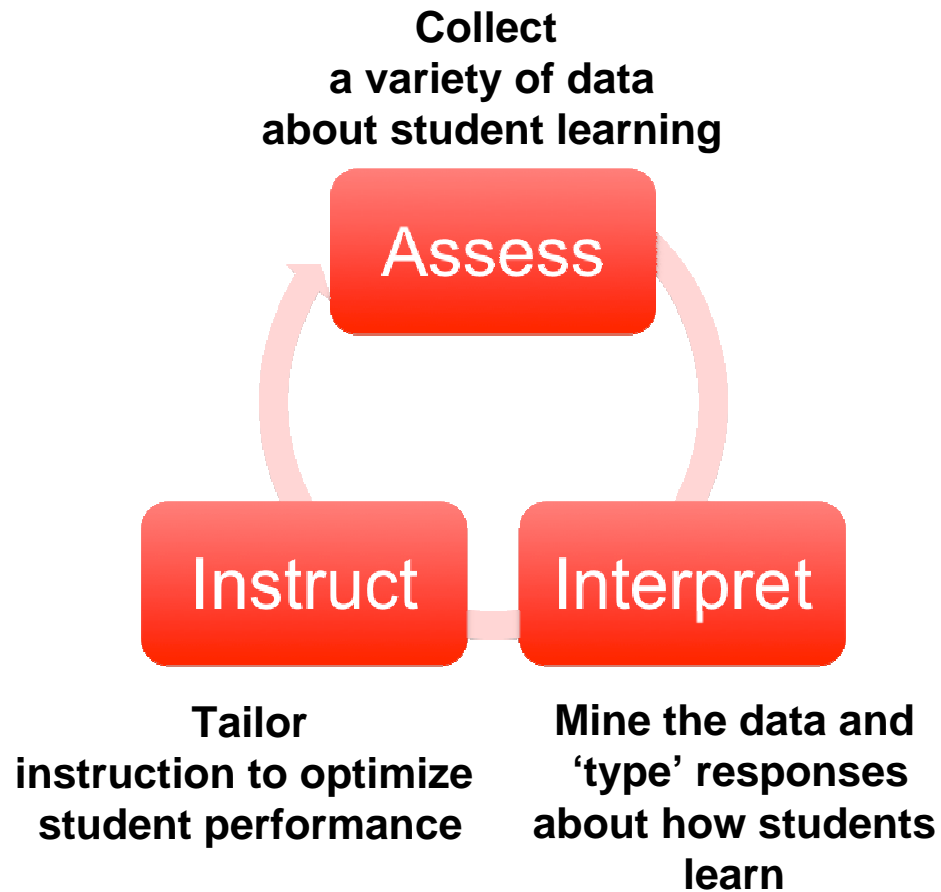
The school market in the U.S. is in crisis, without a reasonable model for success or path forward

While it is true that the U.S. school market is in crisis...

The Situation

- The U.S. has fallen behind industrialized nations in foundational skills...
- ...And it costs us more to produce what learning we do achieve
- Systemic issues abound (e.g., teacher quality, achievement gaps, outdated learning environments)
- Reductions in tax receipts -- 2011 budgets expected to be down 5-10%
- 75% of school districts report inadequate funding

...There is a viable path forward



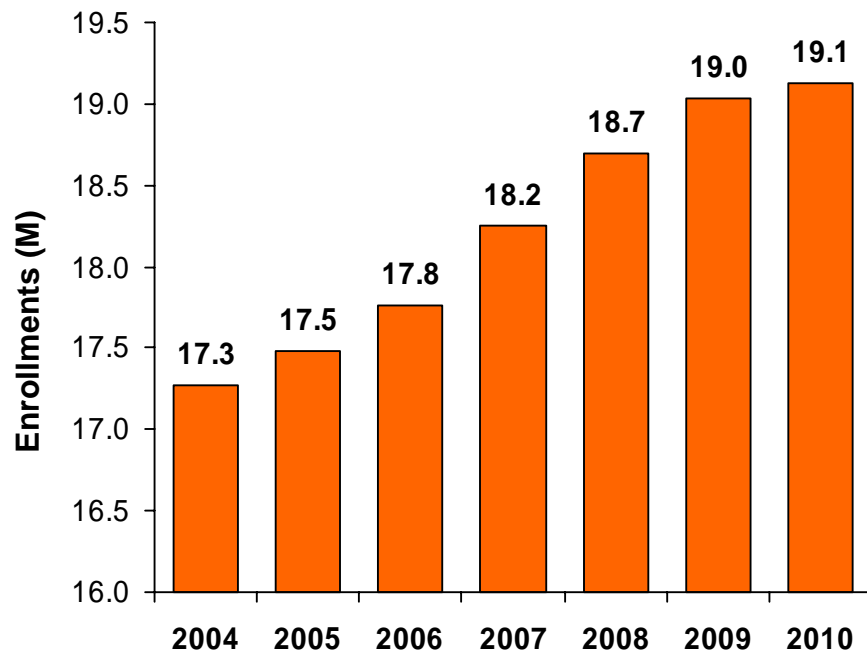
Where system falls short is understanding how to scale these new learning paradigms – new business 'piloting' techniques can be applied



The US college market is currently attractive, but subject to high risk of disintermediation like the music industry

College market continues to appear attractive...

US Higher Education Enrollments



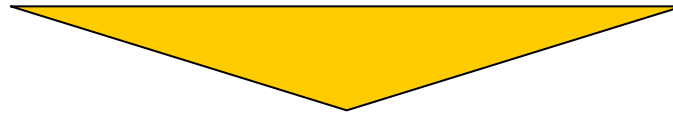
Source: NCES data

- Enrollment growth driven by high unemployment and job training gaps
- A global market
- Two years of college increasingly 'table stakes' to employment
- Fed stimulus funding and goal of 'five million new grads by 2020' adding impetus to trend

...But disintermediation risk persists

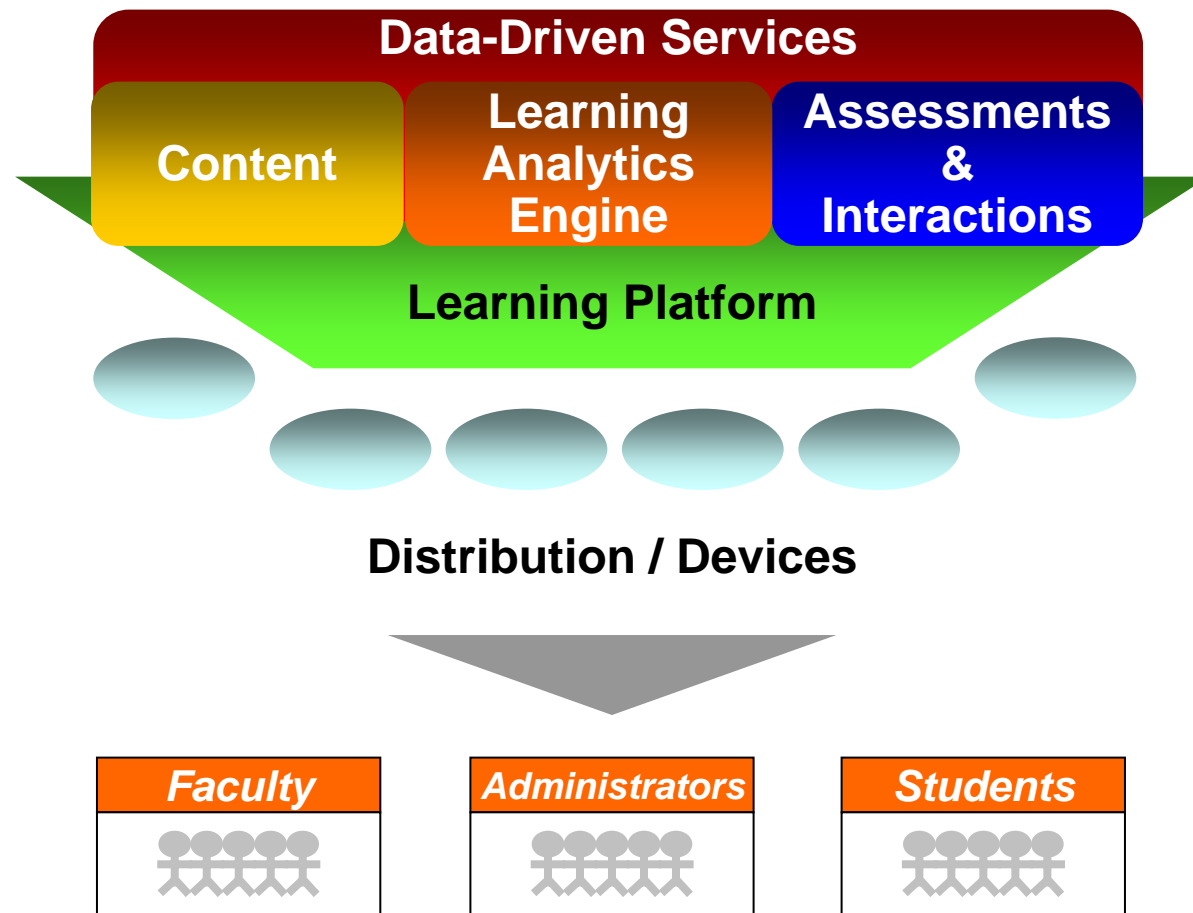


Virgin
Wal-Mart
Sam Goody
Tower
Sony



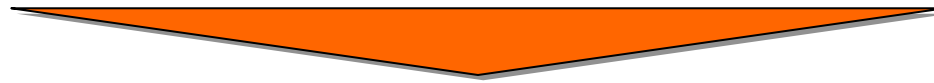
A new information services model for learning is developing...

End State Business Model



...with valuable roles for publishers

Delivering tailored learning solutions

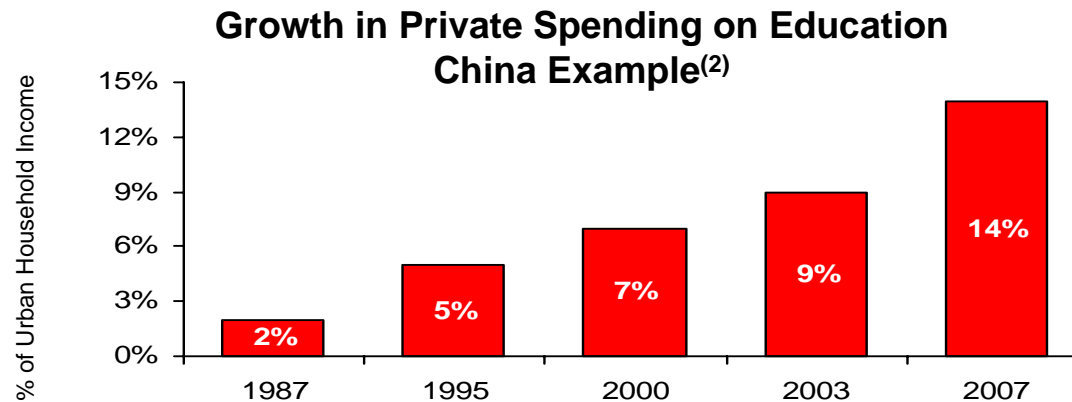
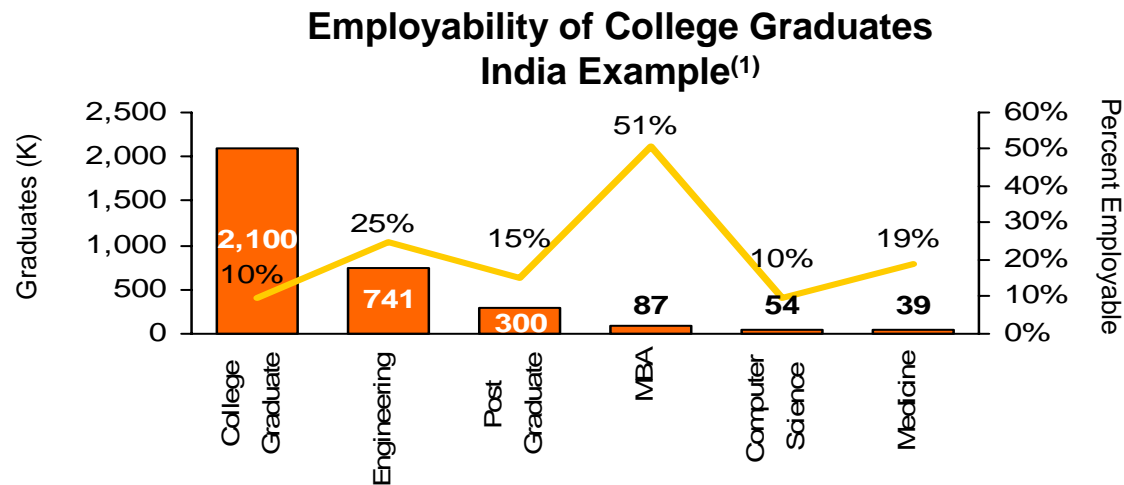


- **Instructional design skills**
- **Deep relationship with institutions, educators – workflow understanding is key**
- **Experience with digital and interactive product design, software development and marketing**
- **Client servicing ‘best practices’ from related businesses**



International education markets have high growth prospects, but there are limited ways to effectively monetize content

Emerging countries have high growth prospects and high education needs...



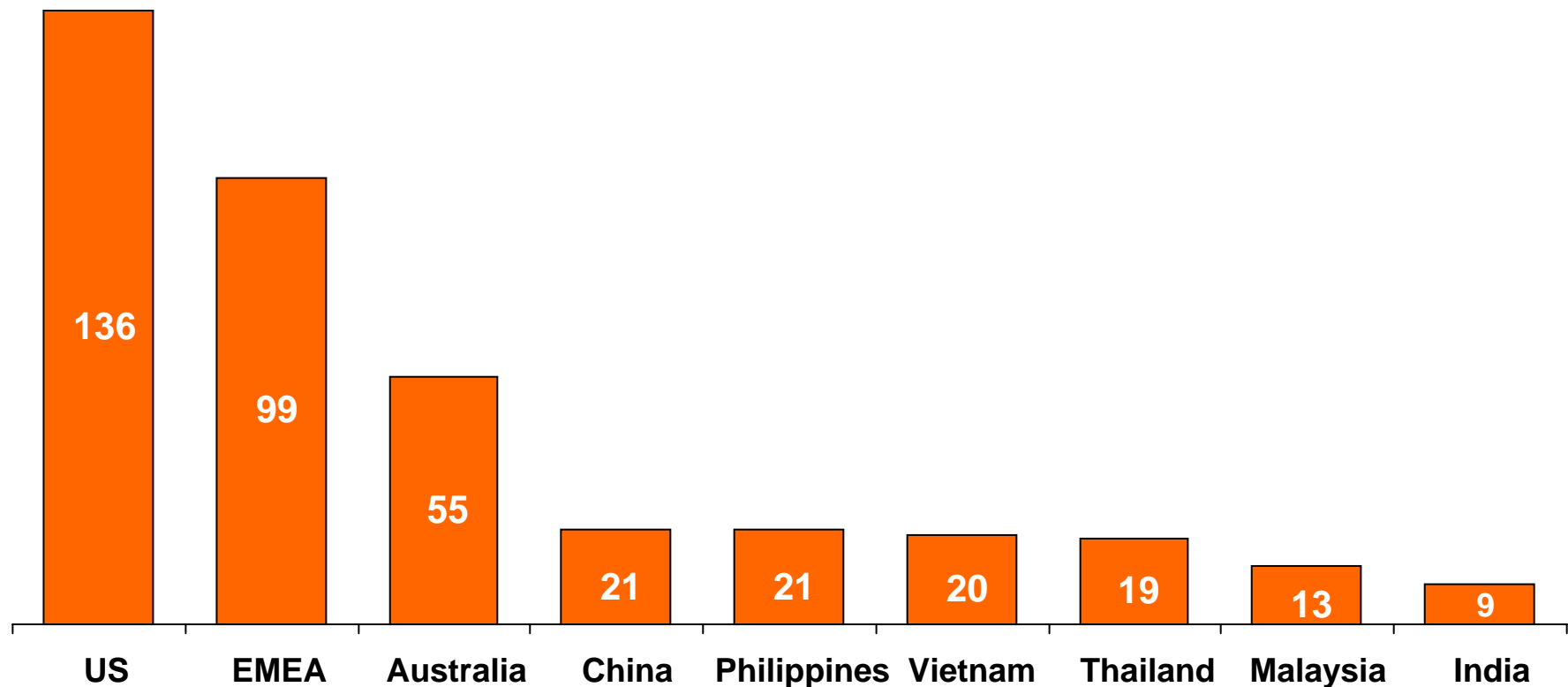
Education is the 2nd largest urban household spending category in China and represents per capita expenditure of US\$1,250

(1) National Knowledge Commission, RocSearch Consulting

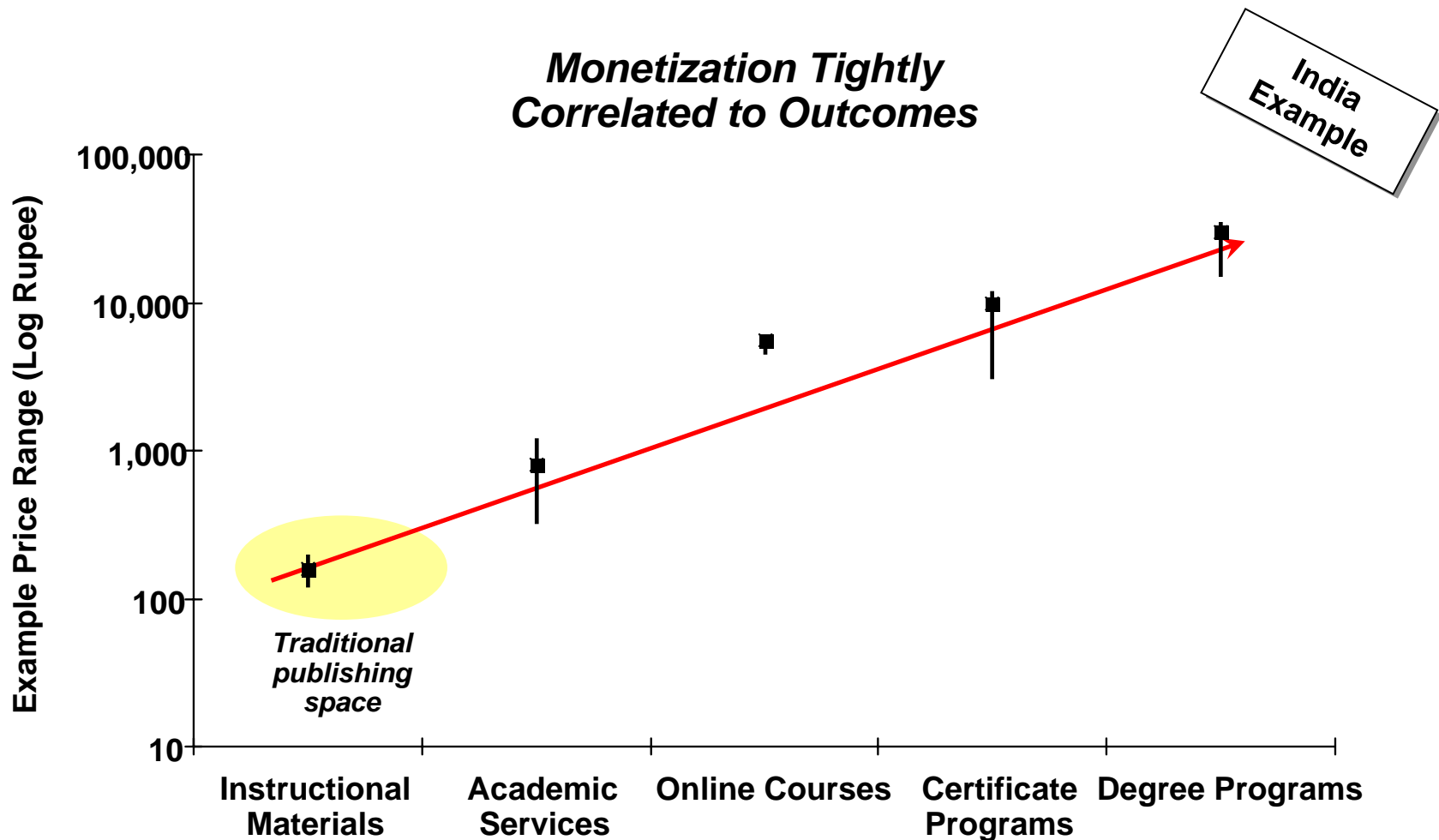
(2) National Bureau of Statistics; Ministry of Education; World Bank; Merrill Lynch

...however published content monetizes poorly

Example: Net Price of Typical Finance Textbook by Country (US\$)



Value in these businesses is in participating in learning outcomes

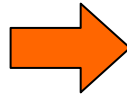


(1) Career Launcher, Indian Institute of Technology; Management Development Institute, Gurgaon; The Indus Foundation, CII Logistics, University of Mumbai: IIT-M

In summary

The future is bright...

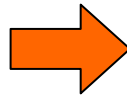
- Viable path forward around data driven instruction



...and McGraw-Hill is well positioned

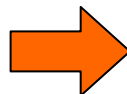
- Strong capabilities in assessment and adaptive learning

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- Attractive role for publishers in the information-based platform business



- Flexible user-centered platforms (Connect, Create, Access Medicine)

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- Opportunities to better monetize content with services plays



- Partnerships with Tata (India) and Ambow (China) to deliver educational services -- vocational training and test prep